Kerjaya Prospek Group (KPG MK)

Better Prospects Ahead As Dual Drivers Kick In

	BUY (Maintained)
Share Price	RM2.55
Target Price	RM2.93
Upside	+14.9%

Highlights

- We believe KPG should post a solid earnings growth in 2026-27, delivering an organic three-year CAGR of 7-16% on the back of strong construction contract flows and new property developments.
- Earnings growth is supported by construction margin expansion in 3Q25 with further upside from upcoming property projects.
- Maintain BUY as we raise our target price to RM2.93. While we make no changes to earnings, we raise our ascribed valuations for the construction segment, bringing it in line with our mid-cap target.

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Analysis

- **Construction margins on the rise…** We believe Kerjaya Prospek Group's (KPG) construction segment should see margins begin to recover going into end-25 following the completion of the Texas Instruments project. We understand that the job was largely completed in Aug 25 with only minor uprating works remaining. Looking ahead, an improving job mix signals that net margins could return to the double digits for the segment as construction works shift to predominantly internal contracts. We anticipate net margins improving to above 10% from 9.4% in 2Q25. Ytd, five out of six contracts awarded to KPG have been from sister company Eastern & Oriental (E&O)
- **…but minor headwinds from SST expansion.** Despite the strong pipeline of E&O launches going forward, we note that contract awards have slowed going into 2H25. We believe this is due to the expansion of the sales and service tax (SST) in Jun 25, specifically the 6% tax on commercial, infrastructure and industrial buildings if the annual taxable value exceeds RM1.5m. At the moment, mixed developments (ie residential and commercial) are taxed based on the total value of the project regardless of the proportion of residential vs commercial. We understand that there has been pushback regarding the calculation of the taxable portion of these projects from developers and whether it should apply to ongoing projects prior to the end of the grace period in Dec 25. While details are still unclear, we believe this to be a minor speedbump for KPG as any future contracts would have taken the new tax into account.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2026F
Net turnover	1,473	1,835	2,021	2,209	2,326
EBITDA	197	235	292	332	353
Operating profit	180	218	275	315	336
Net profit (rep./act.)	132	160	208	237	253
Net profit (adj.)	132	160	208	237	253
EPS (sen)	10.4	12.6	16.4	18.7	20.0
PE (x)	24.6	20.2	15.6	13.6	12.8
P/B (x)	2.8	2.8	2.7	2.5	2.3
EV/EBITDA (x)	6.6	5.0	4.1	3.3	2.7
Dividend yield (%)	3.1	5.9	4.7	4.7	4.7
Net margin (%)	8.9	8.7	10.3	10.7	10.9
Net debt/(cash) to equity (%)	(10.2)	(20.2)	(17.2)	(24.9)	(34.4)
Interest cover (x)	124.9	169.0	287.7	189.2	201.2
ROE (%)	11.6	14.2	17.8	19.7	20.2
Consensus net profit	-	-	202	225	249
UOBKH/Consensus (x)	-	-	1.0	1.1	1.0

Source: Kerjaya Prospek Group, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	KPG MK
Shares issued (m):	1,261.1
Market cap (RMm):	3,206.2
Market cap (US$m):	760.8
3-mth avg daily t'over (US$m):	0.6

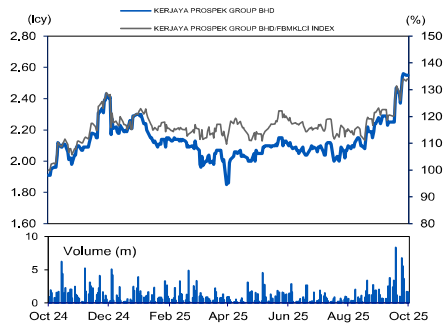
Price Performance (%)

52-week high/low				RM2.56/RM1.85
1mth	3mth	6mth	1yr	YTD
13.8	22.6	37.8	35.7	15.4

Major Shareholders

	%
Egovision Sdn Bhd	49.9
Amazing Parade Sdn Bhd	17.9
Employees Provident Fund Board	5.0
FY25 NAV/Share (RM)	0.95
FY25 Net Cash/Share (RM)	0.12

Price Chart



Source: Bloomberg

Company Description

Kerjaya Prospek Group is a construction company which specialises in high-rise building construction.

- **New property projects on the horizon.** KPG had recently announced the acquisition of three parcels of land in Jalan Puchong back in Jul 25 as well as a new JV with Aspen Vision for a project in Penang. While details are still preliminary, we estimate the GDV of the four projects to be roughly RM1.6b. However, contributions from these new projects may be further out; the Aspen JV is only slated to begin development in 2026 while the Puchong development is currently scheduled to begin in 1H27. Nonetheless, the new projects represent a significant earnings catalyst as the estimated GDV is nearly double its existing property projects.
- **Other opportunities in data centres and industrial works.** Separately from its RM1.5b-2.0b tenderbook, KPG is also looking at additional DC/industrial projects worth upwards of RM2.0b. KPG is exploring these contracts both individually and via its JV with Samsung C&T. We understand that KPG's share of any jobs secured via the JV will depend on the nature of the works ie mechanical and engineering jobs will favour Samsung while pure construction works will favour KPG. While these potential contracts are sizeable, we remain conservative regarding this segment given the fierce competition among contractors and KPG's lack of prior experience.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of RM2.93 (from RM2.39)** as we raise our ascribed valuation on the construction segment to 17.0x (previously 14.0x). This represents +1.0SD to KPG's five-year mean but is in line with our target multiple for its mid-cap peers. We also reduce our RNAV discount on its property segment to reflect the new upcoming property developments.

Earnings Revision/Risk

- **None.** We do acknowledge that there could be further upside to our 2027 property earnings following the recent land acquisitions.
- We estimate the potential GDV for the four new projects to be around RM1.6b. Assuming similar margins to its current projects, contributions could be upwards of RM250m at the PAT level. However, given the acquisitions have yet to be finalised, we have not fully imputed the new property development into our forecasts.

Environmental, Social, Governance (ESG) Updates

Environmental

- Certified and registered against the provisions of ISO 14001:2015.
- 6.7% yoy reduction in Scope 1 and 2 emissions in 2024.

Social

- Well-diversified workforce in terms of gender: female (46%) and male (54%).

Governance

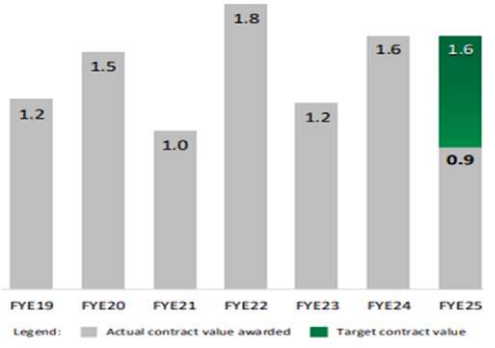
- 170 employees and directors attended Anti Bribery and Corruption training.
- High dividend payout ratio of above 70% (77% in 2023).

Orderbook Replenishment Assumptions

Year	RMm
2024	1,600
2025F	1,800
2026F	1,800
2027F	1,800

Source: Bloomberg

1H25 Contract Awards



Source: Kerjaya Prospek Group

SOTP Valuation

	Remark	Value (RMm)
Construction	17x PE	3,151.9
Property development	RNAV @ 20% discount	153.7
Net cash	As of 1H25	229.8
Fair value		**3,535.4**
TP (RM)		**2.79**
Implied PE (x)		14.9

Source: Bloomberg

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2026F
Net turnover	**1,835**	**2,021**	**2,209**	**2,326**
EBITDA	235	292	332	353
Deprec. & amort.	18	18	18	18
EBIT	218	275	315	336
Net interest income/(expense)	(1)	(1)	(2)	(2)
Pre-tax profit	**216**	**274**	**313**	**334**
Tax	(56)	(66)	(75)	(80)
Minorities	(1)	(0)	(0)	(1)
Net profit	**160**	**208**	**237**	**253**
Net profit (adj.)	160	208	237	253

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2026F
Fixed assets	104	225	251	280
Other LT assets	228	228	228	228
LT debt	n.a.	n.a.	n.a.	n.a.
Cash/ST investment	252	227	340	496
Other current assets	1,367	1,441	1,506	1,516
Total assets	**1,951**	**2,126**	**2,330**	**2,528**
ST debt	22	22	22	22
Other current liabilities	437	529	627	717
Other LT liabilities	8	8	8	8
Shareholders' equity	1,136	1,191	1,276	1,377
Minority interest	1	1	2	2
Total liabilities & equity	**1,951**	**2,126**	**2,330**	**2,528**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2026F
Operating	**339**	**270**	**310**	**357**
Pre-tax profit	216	274	313	334
Tax	(56)	(66)	(75)	(80)
Deprec. & amort.	17	18	18	18
Working capital changes	137	44	55	85
Other operating cashflows	12	-	-	-
Investing	**(28)**	**(141)**	**(44)**	**(47)**
Capex (growth)	(29)	(141)	(44)	(47)
Investments	-	-	-	-
Proceeds from sale of assets	0	-	-	-
Others	0	-	-	-
Financing	**(204)**	**(152)**	**(152)**	**(152)**
Dividend payments	(202)	(152)	(152)	(152)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Others/interest paid	(2)	-	-	-
Net cash inflow (outflow)	**107**	**(24)**	**114**	**158**
Beginning cash & cash equivalent	**146**	**252**	**227**	**340**
Changes due to forex impact	(1)	(1)	(1)	(1)
Ending cash & cash equivalent	**252**	**227**	**340**	**496**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2026F
Profitability				
EBITDA margin	12.8	14.5	15.0	15.2
Pre-tax margin	11.8	13.5	14.2	14.4
Net margin	8.7	10.3	10.7	10.9
ROA	9.3	10.2	11.1	11.3
ROE	14.2	17.8	19.7	20.2
Growth				
Turnover	24.6	10.1	9.3	5.3
EBITDA	19.3	24.1	13.7	6.3
Pre-tax profit	21.5	26.4	14.4	6.7
Net profit	21.4	30.0	14.3	6.7
Net profit (adj.)	21.4	30.0	14.3	6.7
EPS	21.4	30.0	14.3	6.7
Leverage				
Debt to total capital	1.9	1.8	1.7	1.6
Debt to equity	1.9	1.8	1.7	1.6
Net debt/(cash) to equity	(20.2)	(27.2)	(35.7)	(46.0)
Interest cover (x)	169.0	287.7	189.2	201.2

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